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Professional® Builder Remodeler

THE ONE MAGAZINE FOR THE DIVERSIFIED BUILDER

LET AMERICA BUILD

An Action Plan For Housing Growth...88

Regional Survey Of Impact Fee Costs...96

Best-Selling Midwestern Designs...117

Giants Speak Out On Affordable Housing...12

Launching A Remodeling Subsidiary...31

Trends In Executive Compensation...56

Turning Lookers Into Buyers...63

8 New House Plans...181

A CAHNERS PUBLICATION

Professional Builder & Remodeler

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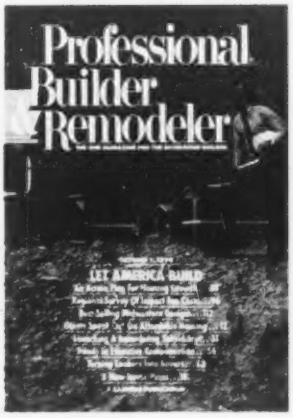

On The Cover

■ With this issue, we introduce the magazine's new name, *Professional Builder & Remodeler*, as well as our redesigned format, intended to add graphic excitement to our issues without changing our basic structure or editorial goals. Cover shot photographed by Marc Berlow, Chicago.

Over 83% of cities surveyed had impact fees: p. 96.

Signs establish a community: p. 69.

FEATURES

Let America Build 88
The editors launch a major educational effort to communicate to policy makers and their administrators the reasons why housing costs too much, and what can be done about it.

Survey Of Impact Fees & Exactions 96
An exclusive look at the fees and exactions builders must pay in key markets throughout the United States.

Best Designs From The Midwest 112
In the "Heartland," the top-selling homes are marked by great variation, despite a tendency toward traditional styling. A half dozen successful ideas from six key cities.

Top Products Of The Quarter 134
Based on reader inquiries from the past three months, we present the industry's most sought-after products.

Spotlight On Remodeling 137
Stylish kitchen rehab provides more space, has a better working area, and abounds with decorator touches.

Tradition drives the midwest's bestsellers: p. 112.

OCTOBER 1, 1990

New flooring products: p. 152.

DEPARTMENTS

Editorial: Defending The Industry's Interests. . . 9
Washington: Deficit Threatens Housing Policy. . . 12
Money: What's Ahead For Builders. . . 22
Inside Housing: Solving The Garage Problem. . . 34
Accounting: Managing Land Acquisitions. . . 50
Real Estate Dynamics: Gear Up For The Downturn. . . 59
Interiors: Return To Traditionalism. . . 64
Design Lab: Making High Density Livable. . . 68
House Plans And Books. . . 181
Indicators: The Economic Outlook. . . 201

Business

■ The industry's Giants speak out on the affordability crisis: *p. 12.* New guidelines for handling FRT plywood repairs are on the way: *p. 26.*

Markets

■ Advice for launching remodeling division: *p. 31.* Making rental units succeed where condos failed: *p. 38.* A wish list of amenities for active adults: *p. 42.*

Management

■ Drees proves that multiple profit centers work: *p. 47.* How the home building industry compensates its top executives: *p. 56.* A computer imaging system that helps clients visualize results: *p. 60.*

Marketing

■ To boost traffic, builders must use incentives while steering clear of giveaways: *p. 63.*

Technology

■ Builders are pushing quality control to new heights and aiming for zero defects: *p. 169.* Why demand for "HUD code" homes is booming in California: *p. 170.*

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BUSINESS

■ INDUSTRY ISSUES

Giants Speak Out On Affordable Housing

Who should provide affordable housing in the 1990s? *PB&R* asks the Giants.

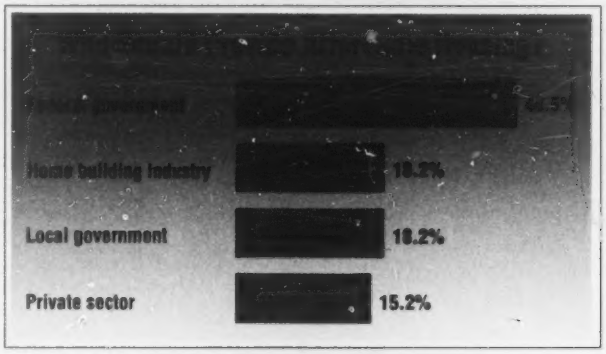
The affordability crisis is a serious concern for the nation's largest home builders. In a recent survey by *Professional Builder & Remodeler* magazine, builders on *PB&R's* Giant 400 list ranked affordability barriers to first-time buyers as their third most serious concern about operating in the 1990s.

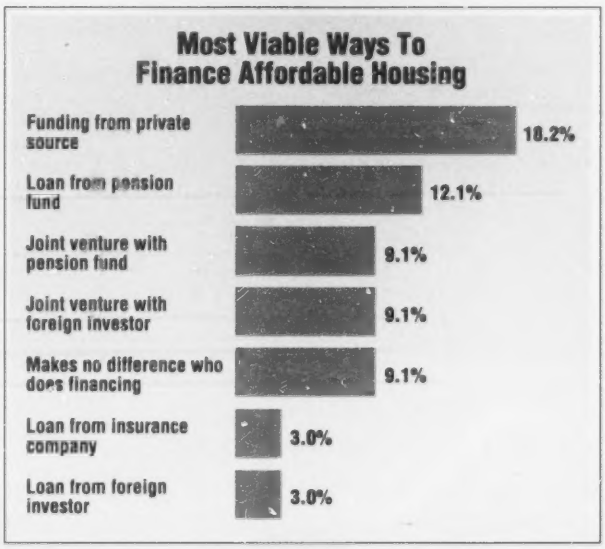
Nearly 82% of surveyed Giants say their most serious problem is government regulations, followed by environmental and no-growth movements (57.6%). The affordability crisis was cited by 45.5% of respondents.

The biggest share of the burden for providing affordable housing should be borne by the federal government, say 48.5% of respondents. About 18% believe the second largest share should be provided by the home building industry; another 18% say local government ought to shoulder the burden. The third largest share of the burden should be borne by the private sector, according to 15.2% of surveyed Giants.

"It's the responsibility of the building industry," says Gary Garczynski of Long Signature Homes, Woodbridge, Va., "to raise awareness of the need for affordable housing and to work together with all levels of government to develop a plan for managed growth."

Asked to choose from a list of possible solutions to the affordability crisis, 82.8% of responding builders say the loosening of restrictive zoning laws is the most viable, followed by more government funding for new housing programs (51.5%). However, all survey respondents feel a combination of approaches is needed, and some added their own suggestions to the list.





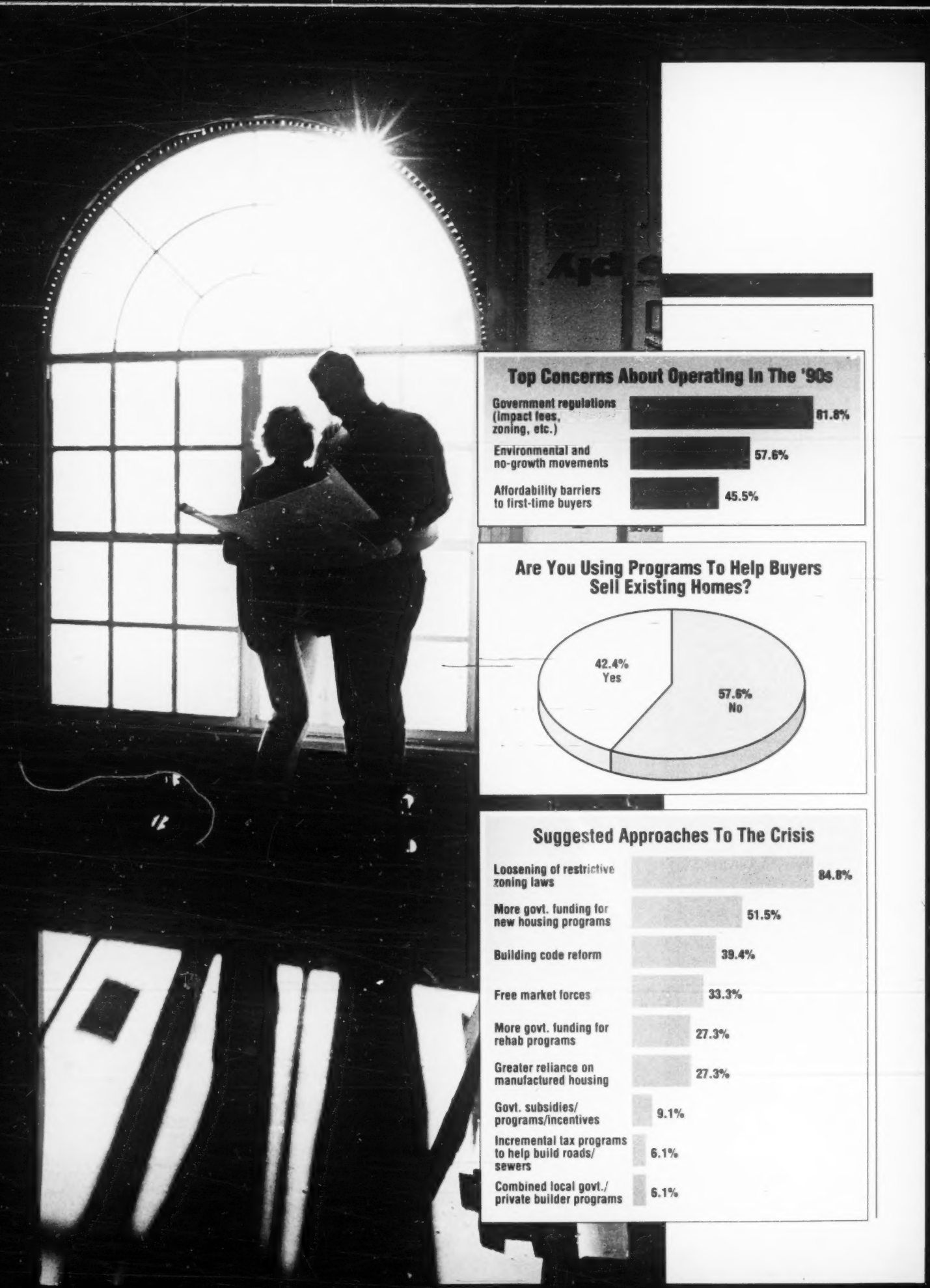
Modifications to the existing tax code would help first-time buyers, such as allowing the use of IRAs for downpayments without incurring a penalty, says Garczynski.

Derek Klutts, Klutts Homes, Charlotte, N.C., firmly believes that manufactured housing is a good way to beat the high cost of housing. "Manufactured homes give you strict cost control," says Klutts. "We've been very successful in educating the consumer about their value."

Joe Collins of Stokes-Collins, Jacksonville, Fla., suggests that private developers buy and rehabilitate distressed projects, such as apartment complexes under foreclosure and properties in the hands of the Resolution Trust Corp.

Donald Misrach of The Drees Co., Covington, Ky., says mortgage bond programs would encourage the first-time and first move-up buyer to purchase existing homes, as well as new housing.

About 18% of respondents rank funding from private sources as the most viable financing method for the production of affordable first-time and move-up housing. About 12% say loans from pension funds are the most viable.



Top Concerns About Operating In The '90s

Are You Using Programs To Help Buyers Sell Existing Homes?

Suggested Approaches To The Crisis

■ COMPENSATION

How The Home Building Industry Pays Its Top Managers

A survey of top residential builders reveals changes in executive salaries and bonuses.

In the past 12 months, the earnings of chief operating officers, engineers and top land executives of home building companies have increased significantly.

According to a survey by Lee Stephens & Associates, San Diego, Calif., from 1988 to 1989, total cash compensation for chief operating officers increased by 14%.

The chief operating officer is "creeping up gradually on the chief executive officer," said Lee Stephens. "It's almost as if the old guard (the CEO) is leaving the helm and allowing the COO to take over. I see this happening a great deal in the building industry today."

Top land engineering/development executives showed a 33% increase, while the compensation for civil engineers jumped 25%. The reason is that site work has become more complicated, said Stephens.

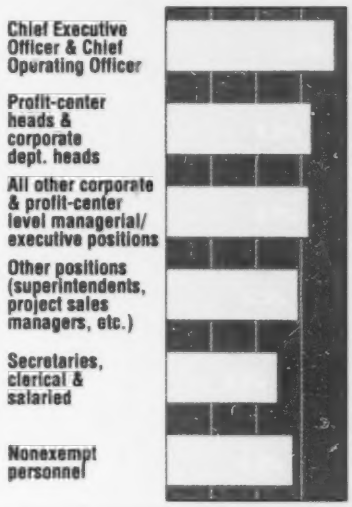
"In Southern California, particularly, we're out of the good ground and into the rocks and hillsides," he said.

In contrast, compensation for sales and marketing executives is down 1% from the year before. Stephens concludes that this is symptomatic of home builders' difficulties in finding good salespeople. He also noted that builders appear to be hiring more people for human resources management.

Long-term incentive compensation, based on sustained results over a period of time (e.g: one to five years), is still a rarity in the residential building industry, according to Stephens. Long-term incentives are greater for CEOs and COOs, for example, than other top managers.

By Susan Bady, Senior Editor

Anticipated Average Merit/ Salary Increase


Chief Executive Officer & Chief Operating Officer
Profit-center heads & corporate dept. heads
All other corporate & profit-center level managerial/ executive positions
Other positions (superintendents, project sales managers, etc.)
Secretaries, clerical & salaried
Nonexempt personnel

Source: Lee Stephens & Associates

COOs are beginning to catch up to CEOs on the cash compensation ladder. Top land executives are doing even better; their total compensation is up 33% over last year.

Executive Pay: Who Makes The Most

Corporate Positions	Average Base Salary	Average Annual Bonus	Total Compensation
Chief Executive Officer	$239,000	$304,000	$543,000
Chief Operating Officer	$236,000	$315,000	$551,000
Top Development Exec. (SF)	$136,000	$107,000	$243,000
Top Development Exec. (MF)	$127,000	$52,000	$178,000
Chief Financial Officer	$114,000	$93,000	$207,000
Controller	$69,000	$19,000	$88,000
Top Sales & Marketing Exec.	$81,000	$39,000	$119,000
Top Construction Executive	$83,000	$28,000	$111,000
Top Land Engineering/ Development Exec.	$79,000	$34,000	$113,000
Top Architectural Design Executive	$64,000	$14,000	$77,000
Top Land Acquisition/ Sales Executive	$92,000	$38,000	$130,000
Top Property Management Exec.	$64,000	$15,000	$79,000

Source: Lee Stephens & Associates

Executive Pay: Long Term Incentives

Corporate Positions	Incentive Stock Options	Other Stock Plans	Phantom Stock	Project Equity Participation
Chief Executive Officer	$594,000	$4,433,000	$83,000	$1,638,000
Chief Operating Officer	$321,000	$3,600,000	$63,000	$240,000
Top Development Executive (SF)	$15,000	$1,030,000	—	$181,000
Chief Financial Officer	$70,000	$296,000	$32,000	$77,000
Controller	$38,000	$248,000	$31,000	$36,000
Top Sales & Marketing Exec.	$8,000	$16,000	$83,000	—
Top Construction Executive	$1,000	—	—	—
Top Land Engineering/ Development Exec.	$7,000	$15,000	—	—
Top Architectural Design Executive	—	$6,000	—	—
Top Land Acquisition/ Sales Executive	$149,000	$41,000	$59,000	$70,000
Top Property Management Exec.	$1,000	—	—	—

Source: Lee Stephens & Associates

Executive Pay: Benefits & Perks

Corporate Positions	Company Car or Allowance	All Insurance	Pension & Retirement Plan	Clubs
Chief Executive Officer	$8,000	$17,000	$19,000	$9,000
Chief Operating Officer	$8,000	$9,000	$13,000	$7,000
Top Development Exec. (SF)	$7,000	$10,000	$10,000	$4,000
Top Development Exec. (MF)	$6,000	$4,000	$3,000	$2,000
Chief Financial Officer	$6,000	$12,000	$8,000	$3,000
Controller	$5,000	$7,000	$6,000	$1,000
Top Sales & Marketing Exec.	$6,000	$7,000	$6,000	$2,000
Top Construction Executive	$6,000	$6,000	$6,000	—
Top Land Engineering/ Development Exec.	$6,000	$6,000	$5,000	$1,000
Top Architectural Design Executive	$5,000	$4,000	$4,000	—
Top Land Acquisition/ Sales Executive	$6,000	$9,000	$5,000	$2,000
Top Property Management Exec.	$6,000	$3,000	$1,000	$2,000

Source: Lee Stephens & Associates

Maintaining Organization Morale Critical To Profitability

Home building is a team game. A builder's people must work well together—on tight schedules—or profitability flies out the window.

"Managing money and people are the critical elements of any business," says consultant Martin Freedland, Organizational Development Associates, Atlanta. "But too few builders are tuned in to managing people, and they wind up with morale problems."

Photo: David Barwick

Freedland: "Morale is a management responsibility that starts at the top."

Good morale comes from *training* each level of the organization, from the top down, says Freedland. "You get good managers, and train them in developing the people below them. The first priority of every manager should be to train his replacement."

Builders often violate the hierachy of authority by bossing lower-level employees. "That messes up the relationships of a manager judged by the results

Continued on page 59.

Let America Build

The Importance Of Home Building In America

The need for shelter is prehistoric. The importance of housing as both a public and private asset and therefore of political significance is less ancient.

Official federal recognition of the importance of housing and home ownership in America may be said to date back to the early 1900s when a deduction for mortgage interest was included in the nation's first federal income tax law. During the Great Depression, the creation of federal mortgage insurance further strengthened the recognition of housing as a vital asset well within the scope of federal responsibility.

Following World War II, home building became one of the nation's booming industries and one of its most important economic mainsprings. Home ownership, as Denise DiPasquale of the Harvard Joint Center for Housing studies emphasized in a recent study, "has proven to be the best source of wealth accumulation for the vast majority of American households." More so than in most other countries in the world, home ownership gives Americans a stake in their community and in their country.

The accompanying chart shows the economic impact of the building of a $148,300 new single-family home in 1989. Abandoning its construction would mean:

- The local economy will suffer the loss of .627 man years of construction labor;
- A ripple effect will run through related industries costing another .897 man years of labor;
- The loss of $18,819 in total federal, state and local tax impact that would have otherwise been generated by the house.

The home ownership rate in America rose from 44% in 1938 to 65.6% in 1980, according to the U.S. Census Bureau. It fell to 64% in 1989.

Production has declined as well. New financing constraints, a spate of complex new environmental laws, infrastructure problems, increased development costs, higher impact fees and growth moratoria in many areas have impacted housing production, costs and availability.

Residential construction is now expected to drop to 1.2 million units in 1990. That's 220,000 fewer starts than were predicted last December. The ripple effect will be serious.

Through April, the slowdown in 1990 had already reduced output of construction supplies 1.1% below 1989 levels, according to the Federal Reserve. Shipments of major household appliances were reported down 4.1%. Jobs in the lumber and wood products industries were almost 9000 below 1989 levels. In May, employment in the furniture business was already 12,200 jobs below 1989 levels. The cement industry is expecting nearly a 2% drop in shipments in 1990.

A decline in both production and availability cuts into the supply of housing. The "affordability gap" widens, and housing moves from the asset side of the public ledger to the debit side as tax-supported assistance programs are implemented.

The public debate over the nation's housing needs has become a debate over costs—the cost of ownership, of tenancy, of subsidies and assistance programs; the "cost" of revenues lost through tax concessions; and the environmental cost of new development.

The U.S. Department of Commerce recently estimated the percentage of output by various industries generated by new construction. It found that nearly 80% of production in heating, plumbing and structural metal went into new construction; 66% of lumber and wood products; 14.4% of paper products; 12.5% of oil and petroleum; and 10.3% of household furniture.

Others have measured the importance of housing in terms of crime and illiteracy rates, of congestion and mobility problems, and of property rights and values.

Saying "Yes" to the building and upgrading of America's housing is saying "Yes" to the nation's economic strength and security as well as the highest standard of living for its citizens.

How One New Home Impacts The Economy

(Average 1989 new home cost— $148,300)

$58,856	**for building material purchases**
$16,392	**in wages for construction**
$158,155	**in nonresidential building activity generated**
$2,037	**in payments to gas, electric and telephone utilities**
$7,044	**for peripheral first year retail purchases**
$10,322	**in wages from the manufacturing sector**
$9,230	**in wages from wholesaling, transportation, etc.**
$9,880	**in wages from mining, land development, etc.**
$1,597	**in local real estate tax payments**
$11,433	**in federal and state income tax payments**
$3,960	**in federal corporate income tax payments**
$1,829	**in social security tax payments**

Source: Department of Commerce; NAHB Economics Division; Cahners Economics; Bureau of Building Marketing Research.

PB&R's Exclusive Survey Of Impact Fees And Exactions

The use of impact fees, exactions and exclusionary zoning to manage growth is one of the most serious issues facing local government today. Without addressing this problem effectively, it is questionable whether the affordability crisis can adequately be resolved.

Impact fees are not new. Some towns began collecting "developer contributions" as far back as the 1920s. Initially, they were justified as a way to manage building booms and control sprawl, especially in the Sunbelt and other "growth islands." In recent years, however, the combination of taxpayer revolts, federal aid cutbacks and awareness of local environmental issues has helped foster an antigrowth bias: *Those who "cause" any growth—meaning builders—should be required to pay for it.*

To date, however, impact fees have been viewed primarily as a local problem to be addressed by the local builders association. To gauge the problem as it relates to the affordability crisis in new housing, *Professional Builder & Remodeler* surveyed builders in the top 50 metropolitan markets.

The results of our interviews are summarized in the following "tour" of the country and its top construction markets: it begins in the West, where *every* builder interviewed faced fees and exactions; next is the South (81% report reliance on fees); the North (80%); and finally the East (62%). Each includes an average cost per new home tallying the cumulative effect.

A few caveats are in order. First, most builders operate in several local markets—each with its own rules—so we asked them to describe only the practices of the municipality they are most active in. Also, some builders were reluctant to specifically name their market and listed only a county or township.

Some responses include only what the builder pays and do not include any fees the developer may have been required to make. Likewise, small builders are not treated the same as large builders, and the survey does not reflect these discrepancies.

Unspoken rules also frequently come into play, especially in the area of exactions. For example, there may be no law on the books requiring builders to provide land or amenities, but it is "understood" that as a practical matter, approval is predicated on it.

1990 PB&R Impact Fee Survey

City	Impact Fees/Exactions	Cost Per New Home
Denver area	Does not require an impact fee, although a $10,000 fee is collected by the Denver Water Board. Fees and exactions add an estimated 5% to the selling price of the average home.	$10,000-15,000
Salt Lake City	Requires an impact fee averaging $3500 per housing unit. Estimates that 10% of the fee is dedicated to roads/transportation, 20% to education, 60% to water/sewer and 10% to parks/recreation. Exactions required have included "Greenbelt Areas," land set aside for common use. Fees and exactions add an estimated 10% to the selling price of the average home.	$12,000
Farmington, Utah	Salt Lake City suburb. Requires an impact fee averaging $1000 per housing unit. Estimates that 40% of the fee is dedicated to roads/transportation, 10% to education, 30% to water/sewer, and 20% to parks/recreation. Fees and exactions add an estimated 1.5% to the selling price of the average home.	$1500
Las Vegas	Requires no impact fee. Exactions required have included land, water treatment plants, roads, and fire/police stations. Fees and exactions add an estimated 7% to the selling price of the average home. Exclusionary zoning not considered a problem.	$5000
North Las Vegas	Requires an impact fee averaging $480 per housing unit. Estimates that 20% of the fee is dedicated to roads/transportation and 80% to parks/recreation. No exactions have been required. Fees add an estimated 1% to the selling price of the average home.	$480
Seattle	Requires an impact fee averaging $1000 per housing unit. Estimates 3% of the fee is dedicated to roads/transportation, 5% to education, 20% to water and sewer, 3% to parks/recreation, with the remainder committed to "administration." Fees and exactions add an estimated 2% to the selling price of the average home.	$2000-$3000
Redmond, Wash.	Seattle suburb. Requires an impact fee averaging $7500 per housing unit. Under state rules, fee goes into general funds. Exactions required have included roads plus parks/recreation facilities. Fees and exactions add an estimated 4.5% to the selling price of the average home. To slow growth in some areas, exclusionary zoning requirements stipulate five-acre lot sizes.	$22,500
Portland, Ore.	Requires a "traffic impact fee," averaging $1250 per housing unit, that's dedicated to roads/transportation. Exactions required have included land and roads. Fees and exactions add an estimated 1.5% to the selling price of the average home.	$2000
San Francisco	Requires an impact fee averaging $15,000 per housing unit. Estimates 30% of the fee is dedicated to education, 20% to water and sewer; unsure of the rest. No exactions have been required. Fees add an estimated 3% to the selling price of the average home.	$15,000
Antioch, Calif.	Suburb west of Oakland. Requires an impact fee averaging $17,000 per housing unit. Estimates 10% of the fee is dedicated to roads/transportation, 20% to education, 30% to water and sewer, 10% to parks/recreation, with the remainder going to administration. Exactions have not been required. Fees add an estimated 7%-10% to the selling price of the average home.	$17,000
San Ramon, Calif.	Bay Area suburb. Requires an impact fee averaging $2000 per housing unit. Estimates that 30% of the fee is dedicated to education, 40% to water/sewer and 30% to parks/recreation. Exactions required have included schools. Fees and exactions add an estimated 8%-10% to the selling price of the average home. Exclusionary zoning not considered a problem.	$30,000

1990 PB&R Impact Fee Survey

City	Impact Fees/Exactions	Cost Per New Home
Vacaville, Calif.	Napa Valley city northwest of Bay Area. Requires an impact fee averaging $12,000 per housing unit. Estimates that 20% of the fee is dedicated to roads/transportation, 50% to water/sewer and 30% to parks/recreation. Exactions required have included land and parks/recreation facilities (in lieu of a fee). Fees and exactions add 15% to the selling price of the average home.	$22,000
Sacramento County, Calif.	Some unincorporated areas require an impact fee averaging $9800 per housing unit. Estimates that 9% of the fee is dedicated to roads/transportation, 23% to education, 55% to water/sewer, 1% to parks/recreation, 6% to storm drainage, 3% to permits, 2% to plan check costs and 1% to overhead. Exactions required have included land, schools, parks/recreation facilities and fire/police stations. Fees and exactions add an estimated 10% to the selling price of the average home.	$12,000-$15,000
San Jose, Calif.	Requires an impact fee averaging $25,000 per housing unit. Estimates that 20% of the fee is dedicated to roads/transportation, 10% to education, 20% to water/sewer, 10% to parks/recreation, 20% to processing, 13% to drainage and the rest miscellaneous. Fees and exactions add an estimated 20% to selling price.	$40,000-$50,000
San Jose, Calif.	Requires an impact fee averaging $10,000 per housing unit. Estimates that 25% of the fee is dedicated to roads/transportation, 35% to education, 20% to water/sewer and 20% to parks/recreation. Exactions required have included land, water treatment plants, roads and primarily parks/recreation facilities. Fees and exactions add an estimated 10%-20% to the selling price of the average home. On certain sized lots, construction may not cover more than 28% of the property.	$30,000-$60,000
Campbell, Calif.	San Jose suburb. Requires an impact fee averaging $13,000 per housing unit. Estimates that 20% of the fee is dedicated to roads/transportation, 30% to education, 15% to water/sewer and 35% to parks/recreation. Exactions have not been required. Fees add an estimated 3.5% to the selling price of the average home.	$13,000
North Los Angeles County, Calif.	Some areas require an impact fee averaging $10,000 per housing unit. Estimates that 10% of the fee is dedicated to roads/transportation, 24% to education, 48% to water/sewer, and 18% miscellaneous. Exactions required have included land, water treatment plants, roads, schools, parks/recreation facilities, sewer treatment plants, fire/police stations and medical buildings. Fees and exactions add an estimated 7% to the selling price of the average home. Zoning requires two units/acre.	$13,000
Los Angeles County	Requires an impact and development fee averaging $20,000 per housing unit. Estimates that 20% of the fee is dedicated to roads/transportation, 20% to education, 40% to water/sewer and 20% to parks/recreation. Fees and exactions add an estimated 12% to the selling price of the average home.	$20,000
Orange County, Calif.	Requires an impact fee as high as $18,000 per housing unit. Estimates 60% of the fee is dedicated to roads/transportation, 20% to education, 20% to parks/recreation. Fees and exactions add an estimated 10% to the selling price of the average home. Zoning requirements stipulate 7200-square-foot minimum lots.	$15,000-$20,000
South Orange County, Calif.	Unincorporated areas require development fees averaging $5000-$13,000 per housing unit. Estimates that 20%-25% of the fee is dedicated to roads. Exactions required have included land, roads and parks/recreation. Fees and exactions add an estimated 20%-40% to the selling price of the average home. Zoning requirements usually stipulate one acre lot sizes.	$20,000
La Quinta, Calif.	Part of Riverside County. Requires an impact fee averaging $30,000 per housing unit. Estimates 10% of the fee is dedicated to roads/transportation, 15% to education, 10% to water/sewer, while the rest covers processing and inspections. Fees and exactions add an estimated 15% to the selling price of the average home. Exclusionary zoning not considered a problem.	$30,700
Temecula, Calif.	Located 40 miles north of San Diego. Requires an impact fee ranging from $4000-$16,000 per housing unit. Estimates that 20% of the fee is dedicated to roads/transportation, 50% to education, 20% to water/sewer, 5% to parks/recreation and 5% to miscellaneous uses. Fees and exactions add an estimated 7%-8% to the selling price of the average home.	$12,000
Escondito, Calif.	Suburb north of San Diego. Requires an impact fee averaging $18,000 per housing unit. Estimates that 20% of the fee is dedicated to water/sewer and 80% to parks/recreation. Exactions have not been required.	$18,000
Fallbrook, Calif.	Suburb north of San Diego. Requires an impact fee averaging $1100 per housing unit. Exactions have not been required. Fees add an estimated 1.5% to the selling price of the average home.	$1100
Maui County, Hawaii	Requires an impact fee averaging $3000 per housing unit. Estimates that all of the fee is dedicated to water/sewer. Exactions required have included access roads and bridges, schools, flood facilities or cash equivalent. Fees and exactions add an estimated 2% to the selling price of the average home. Exclusionary zoning not considered a problem.	$5000
Phoenix	Outside central city, impact fees average $3000-$5000 per housing unit. Estimates 15% of the fee is dedicated to roads/transportation, 70% to water/sewer, 5% to parks/recreation and 10% to general services. Fees and exactions add an estimated 3%-10% to the selling price of the average home. Zoning requirements include caps on density (4/acre).	$5000-$10,000
Peoria, Ariz.	Phoenix suburb. Requires an impact fee averaging $1000 per housing unit. Estimates 10% of the fee is dedicated to roads/transportation, 10% to education, 40% to water/sewer, 20% to parks/recreation and 20% to city services. Fees and exactions add an estimated 5% to the selling price of the average home.	$3000
Oklahoma City	Requires an impact fee averaging $200 per housing unit. Estimates all of the fee is dedicated to water/sewer. Exactions required have included roads. Fees and exactions add less than 1% to the selling price of the average home.	NA
Moore, Okla.	Suburb of Oklahoma City. Requires an impact fee averaging $500-$840 per housing unit. Estimates 60% of the fee is dedicated to water/sewer; unsure of the rest. Exactions required have included land, water treatment plants, roads and sewage treatment plants. Fees and exactions add an estimated 1% to the selling price of the average home.	$500-$840
Dallas	Requires no impact fee or exactions. Exclusionary zoning not considered a problem.	NA
Keller, Texas	Dallas suburb. Requires an impact fee averaging $2800 per housing unit. Estimates 50% of the fee is dedicated to roads/transportation; unsure how the remainder is used. Exactions have not been required.	$2800
Austin, Texas	Requires "recovery" fee averaging $3000 per housing unit. Estimates all of the fee is dedicated to water/sewer. Exactions have not been required. Fees and regulations add an estimated 8% to the selling price of the average home.	$3000
Austin, Texas	Requires no impact fee or exactions. Environmental considerations (retaining "green spaces") are key.	NA
Clearlake City, Texas	Houston suburb. Requires no impact fee. Exactions required have included land, water treatment plants, roads, schools, parks/recreation facilities, sewer treatment plants, libraries, fire/police stations and medical buildings. Fees and exactions add an estimated 20%-25% to the selling price of the average home. Exclusionary zoning not considered a problem.	$10,000-$15,000
Ft. Worth, Texas	Requires no impact fees or exactions. Exclusionary zoning not seen as a problem.	NA

1990 PB&R Impact Fee Survey

City	Impact Fees/Exactions	Cost Per New Home
Highland Shores, Texas	Houston suburb. Requires an impact fee averaging $1200 per housing unit. Estimates 10% of the fee is dedicated to roads/transportation, 20% to education, 60% to water/sewer and 10% to parks/recreation. No exactions have been required. Fees add an estimated 1% to the selling price of the average home.	$1200
Atlanta	Requires no impact fee. Exactions required have included land, roads, schools, parks/recreation facilities.	NA
College Park, Ga.	Atlanta suburb. Requires an impact fee, although figures were unavailable. Exactions required have included land, roads and parks/recreation facilities. Fees and exactions add an estimated 1%-2% to the selling price of the average home. Zoning requirements stipulate 8-12 units per acre.	$2000
Memphis	Does not require impact fee, although developers must pay a variety of fees for electricity, gas and water hookups. Exactions have not been required.	NA
Shelby County, Tenn.	Memphis metro area. Does not require an impact fee. Exactions required have included land. Exactions add an estimated .3% to the selling price of the average home. Exclusionary zoning requirements exist.	$300-$500
Brentwood, Tenn.	Nashville suburb. Requires an impact fee averaging $2500 per housing unit. Exactions required have included land and roads. Fees and exactions add an estimated 2%-3% to the selling price of the average home. The Nashville area is operating under a masterplan that was developed years ago. Some areas have tough restrictions.	$3000-$4500
Hendersonville, Tenn.	Nashville suburb. Requires no impact fee; water and sewer fees have gone up. Exactions required have included land, water treatment plants and sewage treatment plants. Fees and exactions add an estimated .5% to the selling price.	$400
Laplace, La.	New Orleans suburb. Requires no impact fee or exactions, although they are currently under consideration. Minimum lot size is 5000 square feet, creating a density cap of 7 units per acre. However, there is no cap for multistory multifamily.	NA
Hillsborough County, Fla.	Tampa is county seat. Requires an impact fee averaging $7000 per housing unit. Estimates that 15% of the fee is dedicated to roads/transportation, 2% to education, 78% to water/sewer, 4% to parks/recreation and 1% to fire protection. Exactions required. Fees and exactions add an estimated 9% to the selling price of the average home.	$9000
Clearwater, Fla.	Tampa/St. Petersburg suburb. Requires an impact fee, although amount varies by site. Exactions not required.	NA
Ocoee, Fla.	Orlando suburb. Requires an impact fee averaging $4000 per housing unit. Estimates that 25% of the fee is dedicated to roads/transportation, 70% to water/sewer, 2.5% to parks/recreation and 2.5% to law enforcement/services. Exactions required have included land and roads. Fees and exactions add an estimated 6% to the selling price of the average home.	$6000
Palm Beach County, Fla.	Requires an impact fee averaging $4600 per 2600-square-foot housing unit. Estimates that 36% of the fee is dedicated to roads/transportation, 20% to education, 13% to water/sewer, 20% to parks/recreation, 2% to libraries and 2% to law enforcement. Exactions required have included land, water treatment plants, roads and parks/recreation facilities. Fees and exactions add an estimated 15% to the selling price of the average home.	$20,000
Palm Beach County	Requires an impact fee. Estimates that 60% of the fee is dedicated to roads/transportation, 10% to education and 30% to parks/recreation. Fees and exactions add an estimated 30% to the selling price of the average home. Zoning requirements stipulate lot minimums ranging from an acre up to five acres.	$20,000
South Palm Beach County, Fla.	Unincorporated areas require impact fees averaging $8870 per housing unit. Most fees based on square footages. Estimates that 24% of the fee is dedicated to roads/transportation, 13% to education, 43% to water/sewer, 14% to parks/recreation, 2% to libraries and 1% to law enforcement. Exactions required include land, roads and parks. Fees and exactions add an estimated 4% to the selling price of the average home. Respondents say proving "concurrency" takes at least a month for every parcel.	$10,000
Parkland, Fla.	In Broward County. Requires an impact fee averaging $2000-$3000 per housing unit. Estimates that half the fee is dedicated to roads/transportation, the rest to water/sewer. Acre-size lot minimums in some areas.	NA
Sweetwater, Fla.	Miami suburb. Requires an impact fee averaging $2860 per housing unit. Estimates that 37% of the fee is dedicated to roads/transportation, 56% to water/sewer and 7% to law enforcement. Exactions have not been required. Fees add an estimated 2% to the selling price of the average home.	$2860
South Florida	Requires impact fees averaging $3000-$5000 per housing unit. Estimates that 25% of the fee is dedicated to roads/transportation, 50% to water/sewer and 25% to parks/recreation. Fees and exactions add an estimated 15% to the selling price of the average home. Exclusionary zoning requirements stipulate one-acre lot minimums.	$5000
Cincinnati	Requires an impact fee averaging $3000-$5000 per housing unit. Estimates 20% of the fee dedicated to roads/transportation, 20% to education, 20% to water/sewer and 40% to parks/recreation. Exactions not required. Fees add an estimated 2% to the selling price of the average home. Exclusionary zoning not considered a problem.	$3500
Clermont County	Suburban Cincinnati. Does not require impact fees or exactions.	NA
Franklin, Ohio	Suburban Cincinnati. Impact fees not yet imposed. Exactions required have included land, roads, schools and parks/recreation facilities. Unsure how much exactions add to the selling price of the average home.	NA
Columbus, Ohio	Does not require an impact fee. Exactions required have included land and roads, although builders also put in all streets, sewers and water, plus bridges and streetlights in some cases. Exactions add an estimated 10% to the selling price of the average home. Zoning mandates half-acre lot minimums in many areas.	$15,000
Broadview Heights	Cleveland suburb. Does not require impact fees. Exactions required have included land, water treatment plant, roads, parks/recreation facilities and sewage treatment plants. Exactions add an estimated 2.5% to the selling price of the average home. Zoning requirements stipulate half-acre lot minimum.	$5000-$6000
Independence, Ohio	Cleveland suburb. Requires an impact fee averaging $1200-$1800 per housing unit. Estimates that 7% of the fee is dedicated to roads/transportation, 50% to education, 8% to water/sewer, 10% to parks/recreation and 25% to city administration. Exactions have not been required. Fees add an estimated 3% to the selling price of the average home. Zoning requirements stipulate 250-foot-minimum lot depths.	$1200-$1800
Novi, Mich.	Detroit suburb. Does not require impact fees or exactions. Recently lowered density maximum from 12 units per acre to 6.5.	NA
Oakland County	Detroit suburb. Does not require impact fee or exactions.	NA

1990 PB&R Impact Fee Survey

City	Impact Fees/Exactions	Cost Per New Home
Carmel, Ind.	Indianapolis suburb. Requires an impact fee averaging $1000 per housing unit. Estimates that entire fee is dedicated to water/sewer. Builders not subject to exactions, although developers are. Fees and exactions add an estimated .3% to the selling price of the average home. Minimum lot sizes set on case-by-case basis.	$1000
Fishers, Ind.	Indianapolis suburb. Requires an impact fee averaging $750-$850 per housing unit. Estimates most of the fee is dedicated to water/sewer, although system is still evolving. Exactions (on purely unspoken basis) have included land, roads, schools and parks/recreation facilities. Fees and exactions add an estimated 2%-3% to the selling price of the average home.	$2000-$3000
Lansing, Kansas	Suburb of Kansas City. Does not require an impact fee, but permits were boosted from $348 to $800 per house. Exactions required have included land, roads; sewage treatment plant may be a possibility. Fees and exactions add an estimated .5%-.75%.	$500-$750
St. Peter, Mo.	St. Louis suburb. Requires an impact fee averaging $750 per housing unit. Estimates all of the fee is dedicated to water/sewer. Exactions not required. Fees add 1% to the selling price. Zoning mandates 7500-square-foot lots.	$750
O'Fallon, Ill.	St. Louis suburb. Does not require impact fee. Exactions add 1% to the selling price of the average home.	$2000
Joliet, Ill.	Does not require impact fees or exactions, although they are being considered.	NA
Sherwood, Ill.	Near Joliet, Ill. Does not require impact fee. Exactions required have included land and parks/recreation facilities. Fees and exactions add an estimated 10% to the selling price of the average home. Exclusionary zoning not considered a problem.	$3500
Chicago	Does not require impact fee. Exactions required have included land and parks/recreation facilities.	NA
St. Charles, Ill.	Far-west Chicago suburb. Requires an impact fee averaging $2000 per housing unit. Estimates 60% of the fee is dedicated to education and 40% to parks/recreation. Exactions required have included land, roads and parks/recreation facilities. Fees and exactions add an estimated 5% to the selling price of the average home. Exclusionary zoning is not seen as a problem.	$6000-$7000
Naperville, Ill.	Far-west Chicago suburb. Requires an impact fee averaging $17,079 per housing unit. Estimates 10% of the fee is dedicated to roads/transportation, 35% to education, 20% to water and sewer and 35% to parks/recreation. Exactions required have included land, roads and parks/recreation facilities. Zoning requires minimum lot sizes of 12,000 square feet.	$17,629
Schaumburg, Ill.	Far-north Chicago suburb. Does not require impact fee. Exactions required have included land and parks/recreation facilities.	NA
Barrington, Ill.	Far-north Chicago suburb. Does not require impact fee. Exactions required have included land, water treatment plant and parks/recreation facilities. Fees and exactions add an estimated 4% to the selling price of the average home. Exclusionary zoning requirements stipulate lot sizes of five acres or more.	$5000
Lake Geneva, Wis.	South of Milwaukee. Does not require impact fee. Exactions required have included land and roads. Exactions add an estimated 6%-7% to the selling price of the average home. Exclusionary zoning not considered a problem.	$2000-$4000
Pewaukee, Wis.	Milwaukee suburb. Requires an impact fee averaging $1500-$2000 per housing unit. Respondent estimates that most of the fee is dedicated to water/sewer. Exactions required have included land and parks/recreation facilities. Fees and exactions add an estimated 1%-2% to the selling price of the average home. Local rules limit multifamily rental to 4 units per acre.	$2000-$3000
Dakota County, Minn.	Suburban St. Paul. Requires impact fees, although details unavailable.	NA
Apple Valley, Minn.	Suburban St. Paul. Impact fees not required. Exactions required have included land, parks/recreation facilities or the cash equivalent. Fees and exactions add an estimated .3% to the average home (respondent builds luxury homes).	$1000-$1200
Boston	Requires no impact fees or exactions.	NA
Clarence, N.Y.	Buffalo suburb. Requires an impact fee averaging $600 per housing unit. Estimates that all of the fee is dedicated to parks/recreation. Exactions have not been required, although respondent has donated land to counter no-growth attitudes. Fees add an estimated .2% to the selling price of the average home. Minimum frontage must be 100 feet.	$600
Amherst, N.Y.	Township outside Buffalo. Requires an impact fee averaging $4000 per housing unit. Estimates 40% of the fee is dedicated to water/sewer, 15% to parks/recreation, remainder to miscellaneous requirements such as geological tests. Exactions not required. Fees add an estimated 2.5% to the selling price of the average home.	$4000
New York City	Requires an impact fee averaging $8000-$9000 per housing unit. This respondent has not been subject to exactions. Fees add an estimated 2% to the selling price of the average home. Zoning requirements not considered exclusionary.	$8000-$9000
Hardiston, N.J.	Northern part of state. Does not require impact fees or exactions. Exclusionary zoning not considered a problem.	NA
Mansfield, N.J.	Northern part of state. Requires an impact fee averaging $1000-$4000 per housing unit. Estimates 1% of the fee is dedicated to roads/transportation, 1% to education, 80% to water/sewer and 18% to parks/recreation. Fees and exactions add an estimated 35% to the selling price of the average home. Minimum lot size is ¾ acre.	$5000
Montgomery, Md.	Northwest of Washington, D.C. Requires no impact fees or exactions.	NA
Annapolis, Md.	Requires an impact fee averaging $3200 per housing unit. Does not require any exactions. Fees add an estimated 1% to the selling price of the average home. Waterfront area zoning is considered overly restrictive and permit process is long.	$3200
Towson, Md.	Baltimore suburb. Requires no impact fee. Exactions required have included land, roads, libraries and fire/police stations. Exactions add an estimated 5% to the selling price of the average home. Zoning requirements vary.	$2000-$7000
Philadelphia	Requires no impact fees or exactions.	NA
Buck County, Pa.	Philadelphia suburb. Requires an impact fee averaging $8000 per housing unit. Estimates 25% of the fee is dedicated to roads/transportation, 5% to education, 50% to water/sewer, 10% to parks/recreation and 10% for administration. Fees and exactions add an estimated 10%-12% to the selling price of the average home.	$8000-$10,000
Pittsburgh	Requires no impact fees or exactions. Zoning requirements not considered exclusionary.	NA

Let America Build

Say Yes To Strong Government Housing Support

The collapse of the domestic thrift industry, the frantic attempt by a nervous Congress to shore up what was left with tough new constraints, and the lingering air of uncertainty and caution in the financial markets have combined to cut off a favored source of acquisition, development and construction (AD&C) loans for home builders.

The Financial Institutions Recovery, Reform and Enforcement Act (FIRREA) forced S&Ls to diversify their portfolios (in the past, some thrifts quite legally served a single AD&C borrower) and seek a broader range of new customers. As a result, builders—many of whom had impeccable credit histories—found that almost overnight, long-standing financial relationships were severed.

Faced with this new credit crunch, builders must seek alternatives—new sources of financing and new funding alliances.

For some, the answer lies in new partnerships with major developers. Others may look to commercial banks, foreign investors, pension funds, large equity funds or private investors who might see project financing as a good hedge against inflation.

In any case, many investment counseling firms, such as Kenneth Leventhal & Co. and McMorgan & Co., point out that no matter how they are financed, builders and developers will have to increase substantially their own equity in projects. A hard look at a builder's internal operations, perhaps by an independent analyst, can find idle capital or pinpoint nonessential functions, excess staffing and outright waste.

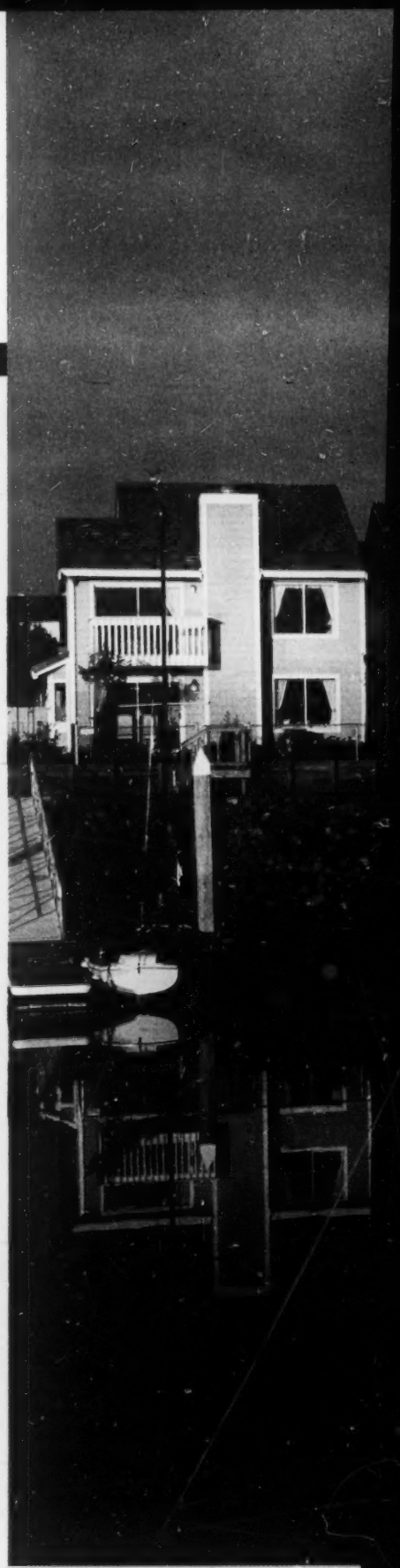
McMorgan estimates that all private U.S. pension funds now total one trillion dollars. The company has designed a program to invest building trades' pension funds in real estate, and already has some $300 million tied up in single-family home development alone.

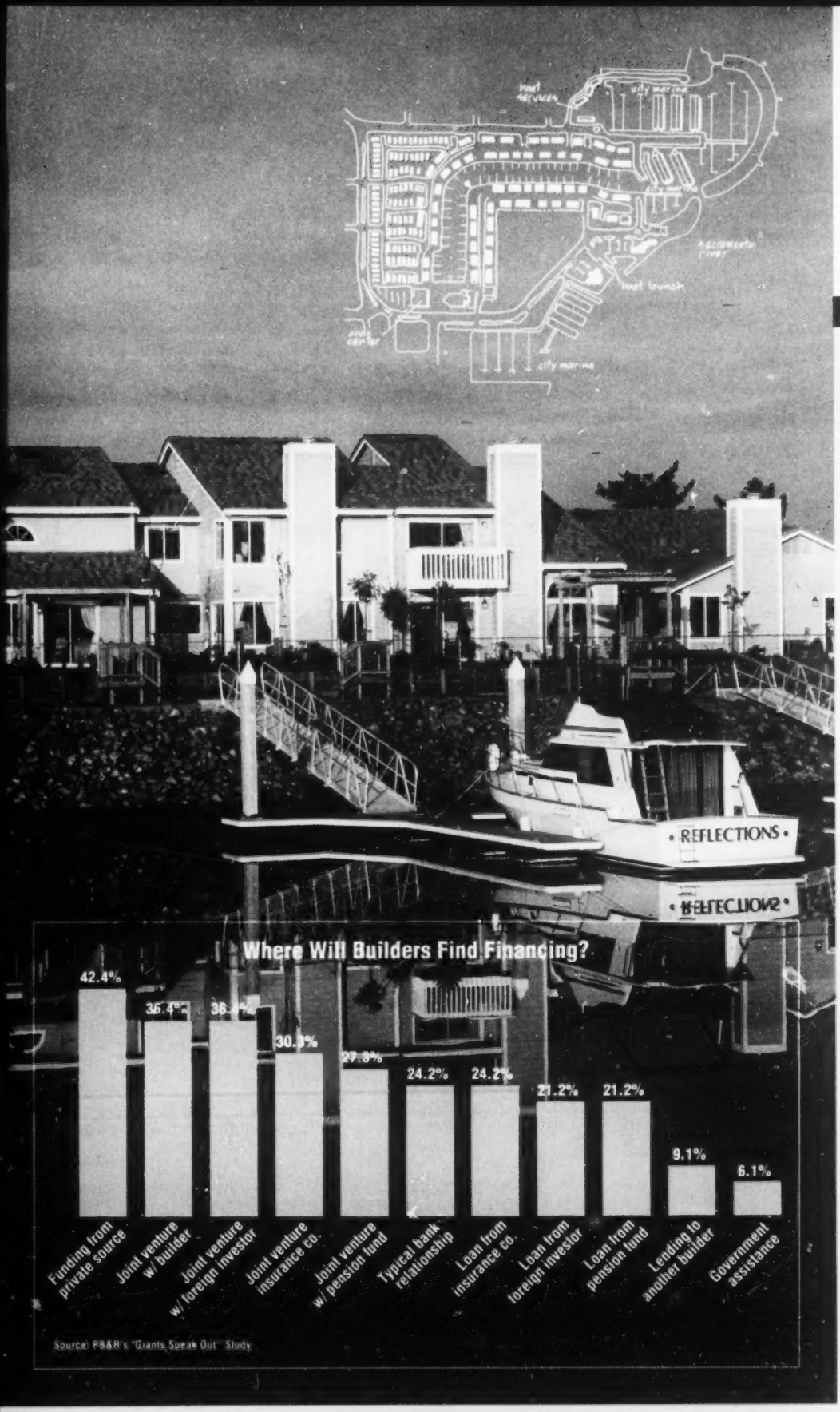
Though such programs have the added luster of job creation, McMorgan CEO Tom Morton says less than 5% of building trades' funds are invested in real estate development. The main reason, he explains, is that pension fund managers lack real estate expertise. They, like other lenders and investors, need to be convinced not only that the return will match that of alternative investments, but that it is safe.

Lack of expertise is also blamed for the delay in creating a secondary market for AD&C loans, although Fannie Mae and Freddie Mac are committed to developing one.

Foreign investors, such as the Japanese, are circumspect in evaluating markets and managements. Analysts, such as Goodkin Real Estate Consulting Group, point out many Japanese favor direct involvement in ventures with builders, requiring both substantial equity and efficient management for long-term relationships.

Therein lies the challenge: Tapping alternative sources of any kind is going to mean a lot more paperwork and a lot more "hands on" management for residential builders and developers. And in their efforts to rebuild a strong financial support system for housing, they will need the cooperation of all Americans.





Whitecliff Homes' Marina Park on California's Sacramento River was financed with building trades' pension funds invested by McMorgan & Co. The 164 townhome and detached units are priced from $14,000 to $250,000.

Builders surveyed by *PB&R* indicate the range and scope of alternative sources and arrangements for AD&C financing.

INDICATORS

Remodeling Up; Construction Lags

Anticipated recovery in new construction aborted by Middle East developments.

By any measure, new residential construction activity through the first seven months of 1990 was disappointing. Despite interest rates that held at levels comparable to 1988-1989, total starts continued to plummet.

Through the first seven months of 1990, single-family starts were 6.4% behind the 1988 pace, while multifamily starts were off 18%. However, a look at dollars spent on residential construction paints a less discouraging picture. The value of new residential construction put in place through July was down a modest 2.2% from the year-ago pace, suggesting that fewer but larger, more well-appointed homes are being built. Spending on multifamily construction is off 11.1%, but dollars spent on single-family construction are off a negligible 0.2%.

The recovery in residential construction that was building earlier in the summer was stopped short by the economic fallout from Iraq's invasion of Kuwait. Inflation fears triggered by higher oil prices drove up interest rates. More importantly, consumer confidence plummeted dramatically and prospective home buyers and home builders adopted a "wait-and-see" attitude. It is now difficult to foresee any sustainable upturn in residential construction until late this year or early in 1991.

Demand High For Comfortable, Spacious Homes

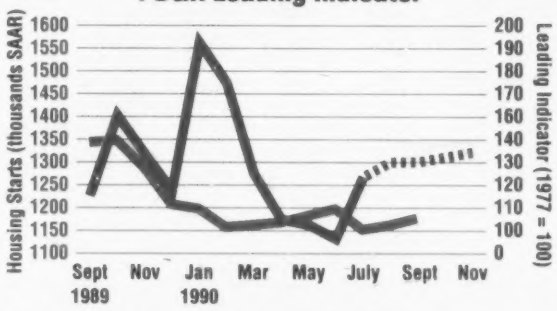
The Commerce Department recently released its annual report detailing the characteristics of 1989's new homes. The average size of new homes constructed in the U.S. last year exceeded 2000 square feet for the first time on record.

Survey data shows that the 1,026,000 new single-family homes completed during 1989 averaged 2035 square feet of finished floor space, up from 1995 square feet last year. That makes the average home completed in 1989 14% larger than those built in 1985. Average house size has now increased for seven consecutive years.

Nationally, 44% of all new one-family homes completed during 1989 contained 2½ or more bathrooms, up from only 29% in 1985.

By Daryl Delano, Cahners Economics

PB&R Leading Indicator



Broken line denotes forecast. Leading Indicator of Housing predicts short-term changes in residential construction over approximately the next quarter. Latest figure is based on September data and includes the Standard and Poor's h-b stock index, 90 day T-bills, bank reserves, consumer confidence index and the ratio of homes for sale to those sold. Prepared exclusively for PB&R by Cahners Economics.

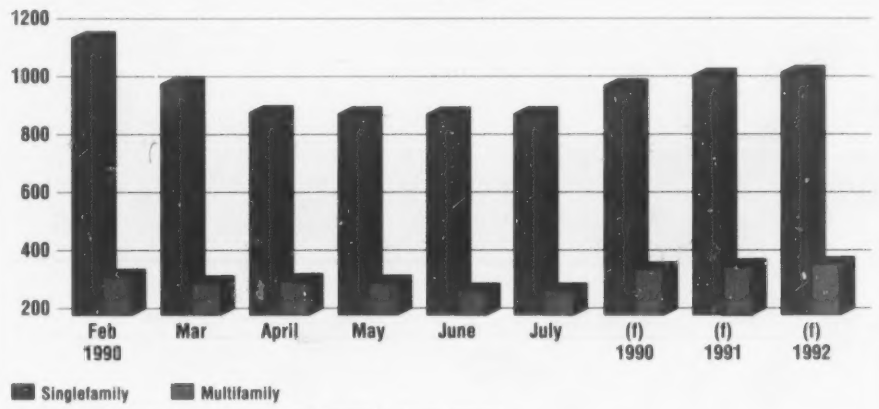
Regional Market Conditions
(Year-to-Date Trends)

	S-F Home Permit $	Average S-F Permit Value	Remodeling Permit $	Employment Change
Boston	-18.6%	$110,184	-16.4%	-1.6%
Philadelphia	-18.6%	$79,331	+6.7%	+0.5%
Atlanta	-4.4%	$78,307	-22.9%	+3.6%
Memphis	+7.0%	$82,630	-4.2%	+1.3%
Dallas	+13.9%	$107,054	+24.5%	+1.2%
Cincinnati	+13.0%	$91,341	-21.4%	+3.8%
Minneapolis	+3.3%	$102,802	+4.5%	+2.4%
Denver	+16.1%	$114,575	+0.3%	+1.7%
Los Angeles	+30.4%	$134,712	+8.9%	+1.9%

Mortgage Interest Rates

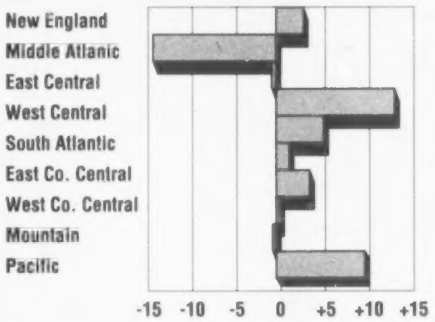
Source: Federal Home Loan Mortgage Corp. Forecast by Cahners Economics.

Housing Starts



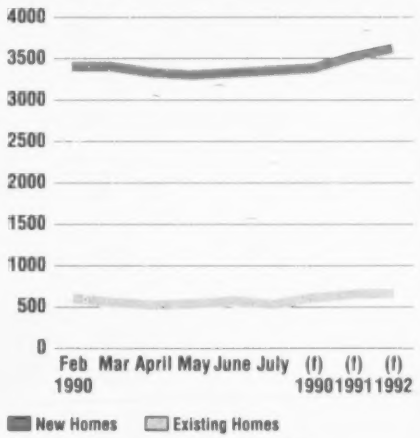
Data in thousands of units. Source: Commerce Dept. Forecast by Cahners Economics

Regional Remodeling Trends
(Year-to-Date) 1990 vs. 1989



Source: U.S. Department of Commerce

New & Existing Home Sales



Data in thousands of units. Source: Commerce Dept. Forecast by Cahners Economics.

Building Materials Price Outlook

	Over-the-Year % Change		
	1989	1990 (f)	1991 (f)
All Materials	3.3%	2.6	3.6
Builders' Hardware	4.4%	2.5	3.8
Ceramic Tile	2.3%	2.9	2.8
Common Brick	0.9%	3.7	2.8
General Millwork	4.9%	3.8	4.0
Gypsum Products	-2.6%	0.1	4.3
Lighting Fixtures	4.9%	2.2	3.4
Lumber	3.0%	4.7	5.0
Plumbing Fixtures	7.0%	5.6	5.7
Prepared Paints	6.4%	4.3	3.5
Strip Shingles	-0.1%	-1.5	1.9

Source: U.S. Department of Labor
Forecast by Cahners Economics.

Key Trends At A Glance

	October 1989	July 1990
Housing Starts (SAAR)	1,423,000	1,148,000
New Home Sales (SAAR)	636,000	548,000
Median New Home Price	$123,000	$121,000
Fixed Rates Mortgage	9.95%	10.02%
Remodeling Permit Trend	-1.00%	+3.10%
Consumer Confidence (1985=100)	117	103.5
Construction Wage Trend	+2.40%	+1.50%

Remodeling Spending Hits All-Time High

While new construction activity was languishing, consumer spending on residential improvements surged to a record high in the first three months of this year. This was a welcome sign in the remodeling sector following a flat 1989.

Total spending on improvements, repairs and maintenance was at an annualized rate of $114.1 billion during the January-March period, more than 16% above the rate recorded in the first quarter of 1989. Spending on "improvements" (remodeling work involving additions, alterations, conversions and building system replacements) rose to an annualized rate of $68.0 billion during the first three months of 1990, up sharply from the $57.8 billion rate seen in the final nine months of 1989.

Attention Framers: Denver Needs You

For whatever reason, the long moribund Denver housing market is reviving. Framers there are in extreme short supply.

"We're really starting to crank," says builder George S. Writer Jr. "Our sales are triple what we thought they would be."

Denver newspapers are running 35 to 40 classified ads a day for framers, said Writer. "Builders are even advertising the rates they'll pay."

The message for those framers who left in 1987 . . . come home.